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AUTHOR	Reid, Helen
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ABSTRACT

"Credit with Education" is a way to provide self-financing microfinance (or small-scale banking) to women, primarily in very poor rural areas, while at the same time providing education for business and family survival. Within the village banking environment, attempts to integrate education with village bank meetings have fallen into two types: (1) the field staff provides the education and financial services at the same village bank meetings; or (2) two or more specialists provide the banking and education services separately. When combined costs for both services are considered, the first type, a lower cost model, is most likely to be fully sustainable with program-generated revenues. The "Credit with Education" model was inspired originally by the Grameen Bank in Bangladesh, which combines a distinctive form of village banking with a simple change-promotion agenda. By the end of June 2000, implementing partners in 12 countries were offering "Credit with Education" to nearly 190,000 women, who had an average loan size of $73. Several other non-governmental organizations have independently developed distinctive versions of "Credit with Education." (BT)

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FOOD AND NUTRITION TECHNICAL ASSISTANCE

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Credit with Education and Title II Programs

Technical Note No. 1
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Credit with Education **is a way to provide self-financing microfinance (or small-scale banking) to women, primarily in very poor, rural areas, while at the same time provide education for business and family survival. Within the village banking movement, attempts to integrate education with village bank meetings have fallen into two types. In one, the field staff provides both the education and financial services at the same village bank meetings. In the other type, two or more specialists provide the banking and education services separately. The first type is discussed here and represents the tightest integration of activities. When combined costs for both services are considered, the first type (lower cost model) is most likely to be fully sustainable with program-generated revenues.**

The *Credit with Education* model discussed here was inspired originally by the Grameen Bank in Bangladesh, which combines a distinctive form of village banking with a simple change-promotion agenda. The first *Credit with Education* programs were started by Freedom from Hunger * in 1989. By the end of June 2000, implementing partners in 12 countries were offering *Credit with Education* to nearly 190,000 women, who had an average loan size of just $73. Several other NGOs have independently developed distinctive versions of *Credit with Education*.

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* Freedom from Hunger (FFH) is an international development organization working in 15 countries. FFH brings innovative and sustainable self-help solutions to the fight against chronic hunger and poverty. Together with local partners, FFH equips families with resources they need to build futures of health, hope and dignity.

Credit with Education was designed with the following assumptions in mind:

- Access to financial services offers a potentially sustainable means to reduce poverty.
- Income increases that will have the greatest impact on food security and nutrition are those earned by poor households, controlled by women and earned in steady and regular amounts.
- Income in itself is unlikely to have a great impact on malnutrition of women and young children unless the women also adopt key maternal and child health and nutrition behaviors.

How It Works

In a *Credit with Education* program, women form self-managed Credit Associations (village banks) to jointly guarantee each other's loans and to accumulate savings. Members usually meet weekly, at least during the first year, to repay the principal and interest, deposit savings and take part in learning sessions led by the field agent.

The learning sessions add no more than 30 minutes to a regular village bank meeting and stress solutions that the women themselves can adopt, afford and manage. Where outside MCHN services of good quality are available–such as well baby care, immunizations and diarrhea management–*Credit with Education* programs encourage their clients to use them. Recent *Credit with Education* programs have provided education to improve the basic business skills of member women.

The frequency (initially weekly) and long time frame (16 weeks in a loan cycle with multiple loan cycles over several years) for learning opportunities make it possible to explore topics in a series of meetings. First, awareness is created concerning the problem. Second, new attitudes and behaviors are introduced for dealing with the problem. Finally, new behaviors are adapted and help is provided to reinforce the behavior change.

The principal costs of *Credit with Education* are programs offering a microfinance service. It is estimated that the cost of the added education is no more than twenty percent above what village banking alone would cost. While some object to the extra cost burden of education on the grounds that it may lessen the prospects for being financially self-sustaining, this argument overvalues the extra cost and undervalues the extra impact of the education.

Impacts of Credit with Education

Well-designed and well-run *Credit with Education* programs have resulted in women increasing their assets, accumulating savings and building their self-confidence. The education component in *Credit with Education*, however, can also help improve health and nutrition practices as well as food security, thereby increasing the economic benefits of microfinance programming. The credit and education components reinforce each other by addressing the informational as well as the economic obstacles to better health and nutrition.

Results from Ghana and Bolivia

Freedom from Hunger has done considerable research to verify that *Credit with Education* is having the intended impacts. The research focuses on program success in providing participants the expected intermediate benefits in three areas: improved economic capacity, empowerment and adoption of key child survival health and nutrition practices that lead to measurable change in food security and nutritional status. The research reviewed and summarized results from a variety of evaluations, with the most conclusive results coming from studies conducted in Ghana and Bolivia.

Building Economic Capacity

Despite the challenge researchers have faced in quantifying changes in income for households involved in any type of microfinance program, data that have been gathered show increasing levels of financial security. Access to financial services makes possible regular earnings throughout the year, asset accumulation and "smoothing" of income to avoid cash fluctuations due to seasonal employment. One should expect these impacts on women's economic capacity in any well-designed and well-implemented microfinance program, whether or not it offers extra education. In fact, impact studies for microfinance-only programs have shown financial results similar to those found in studies for integrated *Credit with Education* programs. The addition of health and nutrition education does not appear to keep village banking from producing the significant impacts sought in microfinance programming.

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Empowering Women

Research showed that the Ghana program positively affected both women's participation in the community and their ability to help family and friends. Participants were more likely to have contributed money to non-kin funerals, which is important to a person's social status and to the reputation of one's family; offered health and nutrition or business advice to others; and helped a friend with work. In Bolivia, participants were more likely to have run for or held community-level elected positions, given advice to others about good health and nutrition practices and about good strategies for income-generating activities and spoken up at community meetings.

Improving Health and Nutrition Practices

The Ghana study found evidence that health and nutrition behavior change promotion can be mutually reinforcing when coordinated and focused on the same population. It also provided strong evidence that increased health and nutrition knowledge results in improved feeding practices and ultimately improves household food security and children's nutrition.

In the Bolivia research, participants also reported learning about good health and nutrition practices from the *Credit with Education* program. However, the variety and degree of improvement in clients' health and nutrition knowledge and reported behavior change was less dramatic in Bolivia than in Ghana. There was an important difference between the respective programs. In contrast to the Ghana program, the Bolivia program showed a weaker commitment to its education component, and its field agents had a higher turnover rate and were inconsistently supervised. Not surprisingly, the quality and quantity of education that the Bolivian women received from the *Credit with Education* field agents suffered.

Role of Education

The research in Bolivia verified one of the central assumptions underlying the design of *Credit with Education*. That is, in order to create a marked improvement in child nutrition, income increases, consumption "smoothing" and even empowerment are not enough. Programs must provide quality education if caregivers' health and nutrition behaviors are to change.

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The work in Ghana and Bolivia, plus the additional studies of the impact of health and nutrition education, demonstrate that *Credit with Education* can be effective in bringing about positive changes in health and nutrition knowledge, practices and outcomes. In Ghana, these positive changes included the following:

- giving newborns colostrum;
- enriching a traditional complementary food;
- rehydrating children who have diarrhea; and
- adopting practices that prevent diarrhea.

One could expect such impacts on mothers' knowledge and practices and on outcomes in any well-designed and well-implemented health and nutrition education program, whether or not it is combined with a microfinance service delivery system. In fact, impact studies for stand alone health and nutrition education programs show results similar to those found in the impact studies for *Credit with Education* programs. Therefore, it seems the education in *Credit with Education* can be as effective in stimulating health and nutrition behavior change as the education in typical maternal child health and nutrition (MCHN) programs supported by Title II.

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MCHN Activities

Delivery of village banking and health and nutrition education can also reinforce the impact of other typical Title II interventions, especially Maternal and Child Health and Nutrition (MCHN) activities, when the programs are coordinated for the benefit of the same population. MCHN usually offers both health and nutrition education and health care services targeted to mothers of young children. Education at the village bank meetings can reinforce MCHN education by delivering the same information and promoting the same practices, including use of MCHN services.

Village banking is likely to serve some of the mothers of young children targeted by an MCHN program as well as others in the community, such as mothers of older children, mothers-in-law, aunts, and grandmothers. These older women are able to provide peer counseling and to influence mothers of young children, whether or not the mothers are participating in the village banking or in the MCHN program. Educating these older women can be as important as directly educating the mothers of the young children.

Opportunities and Outreach

Integration with village banking enhances the power of adult education. The meetings are good forums for adult education for several reasons.

- They provide an opportunity for regular face-to-face contact.
- The close-knit structure and joint guarantee mechanism foster a supportive atmosphere of collective self-interest.
- Women's successful management of loans tends to build confidence and encourage the adoption of healthy new behaviors.

Another issue is whether this sustainable, integrated delivery system can reach the large numbers of the people, families, households and communities most vulnerable to food insecurity and malnutrition, as opposed to the possibly less economically risky, less poor or vulnerable households. Research and studies show that microfinance institutions seeking to reach out to substantial numbers of the very food-insecure poor can do so and still remain viable business operations. *Credit with Education* offers such institutions a way not only to reach and involve the food insecure poor in greater economic activities but also to offer them a broader range of benefits to enhance food and nutrition security for all family members.

Incorporating Credit with Education into Title II programs

Title II programs are committed to increasing food security for vulnerable households and individuals, fostering greater self reliance and promoting sustainable improvements in the lives of the poor. *Credit with Education*, as a stand-alone program, seems capable of cost effectively generating certain impacts that contribute to the food security goals of Title II. By itself, this strategy seems worthy of Title II support through monetized food aid. Even greater impact will be achieved, however, when *Credit with Education* is offered with more familiar MCHN services to improve and support food security in a population. When this happens, *Credit with Education* can be expected to enhance a multisectoral Title II program effort in the following ways:

- Increases in income and savings lead to income smoothing for food-insecure households.
- MCHN education and an informed use of MCHN services are supplemented and reinforced.
- The outreach of MCHN education efforts are expanded to include older women who would not normally choose or be allowed to participate in standard MCHN programming. The audience is further broadened with the inclusion of older women who encourage younger women to adopt recommended practices and to use locally available services.

Obstacles

Microfinance is attractive in part because of its potential to become financially sustainable. There are obstacles, however, to introducing *Credit with Education* into the mix of Title II programs. Funding is one potential obstacle. The up front costs of investing in a loan portfolio, because of the need for a large pool of credit funds, can be much higher than program start-up costs in other sectors. Therefore, introducing *Credit with Education* into a mix of Title II programming may heighten competition for funds among sectors during program start-up. This is particularly true if relatively higher up front costs for microfinance make less money available for other programs. In other words, wide introduction of *Credit with Education* may require a decision to forego other valuable program initiatives during the start-up period.

Title II and USAID Food Security

The United States Government's most direct and sustained response to food insecurity and malnutrition has been Public Law 480. Title II of that law is committed to increasing food security for vulnerable households and individuals, fostering greater self-reliance and promoting sustainable improvements in the lives of the poor. The US Agency for International Development (USAID) recognizes three dimensions of food security:

- *Availability* of enough good-quality food from domestic production or imports.
- *Access* by households and individuals to enough resources to acquire nutritious foods.
- *Utilization* of food through adequate diet, water, sanitation, and health care.

Title II provides food to private voluntary organizations, cooperatives and intergovernmental organizations for direct feeding and/or sale to obtain local currency to support program logistics and development activities.

A second issue is integrating very different social service and business perspectives. Microfinance has a strong business side and clear expectations for loan repayment. If microfinance is to reach its potential, there must be a disciplined application of sanctions against non-repayment.

By contrast, for most social service providers, financial sustainability with revenues gained from the beneficiaries themselves is often not a priority. Linking *Credit with Education*, with its clear need for clients' financial discipline, with more familiar Title II services raises the potential for a clash of viewpoints among the different service managers. If this potential is underestimated or not anticipated, the opportunities for coordination of services and reinforcement of outcomes and impacts can be lost.

The social service component of *Credit with Education* has been the health and nutrition education delivered by the same field agent who delivers the financial service. This integration makes training and supervision particularly important. One management structure must balance both the business and social-service sides of the program. Even so, this integration does not guarantee long-term balance of institutional and developmental interests. It is easier and cheaper to measure progress toward financial sustainability than to track progress toward developmental impacts on people. Often, what is easier to measure and track becomes more important to managers. There is a tendency to stress financial objectives at the expense of social objectives.

Freedom from Hunger maintains that the success of *Credit with Education* as a programming option for Title II funding depends on incorporation of food security and other impact indicators into the *Credit with Education* management information system. With such tools, *Credit for Education* managers will be better able and more likely to reach food security objectives.

Opportunities

With interest income from credit operations, village banking can potentially fund a number of extra activities at the regular group meetings. While there are many crucial services and education topics that could contribute to improving food and nutrition, revenues from this high-volume, low-margin credit business can support only a very few activities. Freedom from Hunger has concluded that only activities that can be managed by the regular field agents at the regular village bank meeting can be financially sustained.

The advantage of linking *Credit with Education* services to more traditional social service organizations is that more services can be provided to the village bank members. Not all the costs associated with extra activities have to be sustained by the credit operations and the costs to the other organizations can be lessened. For example, a healthcare professional or a literacy trainer can attend the same meetings as the *Credit with Education* field agent and provide specialized education and services in coordination with the field agent's work plan. It is also more time-efficient for the women to attend only one meeting. There are experiments with this kind of coordinated health education/service delivery underway in Bolivia and Guatemala. Adding *Credit with Education* into the mix of Title II maternal and child health and nutrition activities offers opportunities for carefully managed creative experimentation, and for learning from successes and failures.

Recommendations

Based on their experience, Freedom from Hunger recommends that *Credit with Education* programs have a clear institutional identity and specialized management separate from other services that do not recover operating costs from the clients. Field staff should be recruited and trained for the specific purpose of integrating a microfinance program with education as well as managing the program as a business. *Credit with Education* programs can effectively reinforce Title II health and nutrition education services while operating on the principles of cost recovery.

Credit with Education can be introduced successfully into a traditional Title II program with special attention to the following:

- selecting appropriate implementing agencies;
- balancing the business objectives of a financial services organization with social service delivery;
- designing programs with efficient staffing plans, training, management and coordination;
- accessing external technical support, at least in the early stages; and
- complementing Title II funding with private donor funds and accumulated savings of local citizens.

Conclusion

Credit with Education has been proven to be a popular and sustainable add-on to village banking that has the power to change women's lives. Integrating health and nutrition education with microfinance is an effective way to build self-reliance among the women involved in the programs. *Credit with Education* programs improve the health and nutrition of infants and children as well as household food security. Through these programs, thousands of poor village women are active agents of change in bettering their families' lives.

This Technical Note is based on a paper written by Christopher Dunford and Vicki Denman and published by the FANTA project, *Credit with Education: A Promising Title II Microfinance Strategy*.
The paper is available on FANTA's website at: www.fantaproject.org.

For more information on Credit with Education contact:
Freedom from Hunger,
1644 DaVinci Court,
Davis, CA 95616 or www.freefromhunger.org

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Food and Nutrition
Technical Assistance Project
Academy for Educational Development
1825 Connecticut Ave, NW,
Washington D.C. 20009-5721
Tel: 202-884-8000
Fax: 202-884-8432
E-mail: fanta@aed.org
http://www.fantaproject.org

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